UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

UNITED STATES OF AMERICA	**INDICTMENT**
- v -	**S1 99 Cr. 997 (LMM)**
MARTIN A. ARMSTRONG,	
Defendant.	

COUNT ONE

(Conspiracy to Commit Securities Fraud, Commodities Fraud, Wire Fraud and Money Laundering)

The Grand Jury charges:

RELEVANT PERSONS AND ENTITIES

1. At all times relevant to this Indictment, MARTIN A. ARMSTRONG, the defendant, held himself out to the investing public as, among other things, an economist, investment advisor, market forecaster, and successful commodities trader. Among other things, ARMSTRONG claimed to have "correctly forecasted every major turn in the financial markets in the last ten years." ARMSTRONG conducted his

investment advisory and market forecasting business through a number of corporate entities which he owned and/or controlled.

2. At all times relevant to this Indictment, Republic New York Securities Corporation ("Republic Securities"), was a wholly-owned subsidiary of Republic New York Corporation (“RNYC”) and an affiliate of Republic National Bank of New York ("Republic Bank"). Republic Securities was a broker-dealer of securities registered with the United States Securities and Exchange Commission ("SEC"). Republic Securities was also a futures commission merchant registered with the Commodity Futures Trading Commission ("CFTC") and a member of the National Futures Association. From in or about March 1995 through in or about August 1999, trading activity in accounts controlled by ARMSTRONG, the defendant, produced the majority of the Futures Division’s commission revenue and ARMSTRONG was the Futures Division’s largest client.

3. During the relevant time period, Republic Securities maintained its principal offices in New York, New York. Republic Securities' "back-office" operations were primarily conducted at its principal offices in New York, New York, and funds held on behalf of customers were held in accounts in the name of Republic Securities at Republic Bank in New York, New York. In or about November 1995, Republic Securities established a branch office in Philadelphia, Pennsylvania (the "Philadelphia Branch"). At all relevant times, the commodity and futures trading operations of Republic Securities, were conducted through its Futures Division. From in or about November 1995 through in or about August 1999, the President of the Futures Division worked out of the Philadelphia Branch.

4. From in or about March 1995 through in or about August 1999, William H. Rogers, a co-conspirator not named as a defendant herein, was the President of the Futures Division of Republic Securities. From at least as early as 1992 to in or

about February 1995, Rogers was a registered representative at Prudential Securities, Inc. ("Prudential"), a broker-dealer of securities registered with the SEC and a futures commission merchant registered with the CFTC. At all times relevant to this Indictment, while Rogers was employed by Prudential and thereafter Republic Securities, Rogers serviced commodity trading accounts controlled by MARTIN ARMSTRONG, the defendant.

5. At all times relevant to this Indictment, Maria Toczylowski, a co-conspirator not named herein as a defendant, was a Vice President of Futures Trading in the Futures Division of Republic Securities, and an assistant to William H. Rogers.

6. At various times relevant to this Indictment, ARMSTRONG, the defendant, owned and/or controlled a number of corporate entities through which he conducted his various business activities including, among many others, the following:

a. Princeton Economics International, Ltd. ("PEI"), a corporation organized under the laws of the Turks and Caicos Islands, British West Indies, with its headquarters located at 214 Carnegie Center, Princeton, New Jersey. PEIL purported to be in the business of providing investment advisory and other financial management and consulting services.

b. Princeton Global Management, Ltd. ("PGM"), a holding company which was purportedly a wholly owned subsidiary of PEIL. PGM, in turn, purported to own a series of special purpose corporations (collectively the “PGM SPV’s”) which issued securities that were sold to investors between in or about 1992 and in or about 1999. PGM was not in fact incorporated until on or about June 28, 1998, when it was incorporated under the laws of the Turks and Caicos Islands, British West Indies. Similarly, the PGM SPV’s were purportedly incorporated under the laws of the Turks and Caicos Islands, but, in fact, many were never formally incorporated. At all times

relevant to this Indictment, PGM and the PGM SPVs' activities were primarily conducted from PEIL's headquarters in Princeton, New Jersey. The majority of their assets, however, were held in accounts at Republic Securities in New York, New York.

c. Cresvale Far East Limited ("CFE"), a broker-dealer of securities and a financial services company organized under the laws of Hong Kong. ARMSTRONG acquired CFE in or about November 1995, and CFE became a wholly-owned subsidiary of PEIL. From in or about November 1995 through September 1999, ARMSTRONG controlled CFE and its various subsidiaries.

d. Cresvale International, Ltd. ("Cresvale"), a wholly owned subsidiary of CFE.

e. Cresvale International Ltd., Tokyo Branch ("Cresvale-Tokyo"), a wholly owned subsidiary of Cresvale. Cresvale-Tokyo, located in Tokyo, Japan, was a broker-dealer of securities. Among other business, Cresvale-Tokyo marketed investment advisory services provided by ARMSTRONG

and sold securities issued by companies, such as the PGM SPV's, that ARMSTRONG controlled. From in or about 1995 to in or about September 1999, ARMSTRONG was the chairman of Cresvale.

7. At various times relevant to this Indictment, Harold L. Ludwig, a co-conspirator not named as a defendant herein, acted as an officer of most of the PGM SPVs, and had trading authority over certain of the PGM SPV Accounts. Ludwig was also an employee of Princeton Economics Institute (the "Institute"), another entity under ARMSTRONG's control, and through which ARMSTRONG purportedly provided investment advice and market predictions. Ludwig was authorized to, and did, place orders for the purchase and sale of securities, commodities and futures contracts on behalf of PEIL. Ludwig was registered with the CFTC as a Commodity Trading Advisor ("CTA").

THE SCHEME TO DEFRAUD

Summary of The Princeton Note Scheme

8. As set forth more fully below, from in or about 1992 through in or about September 1999, MARTIN A. ARMSTRONG, the defendant, and others, known and unknown, engaged in a scheme to defraud investors who purchased certain securities issued by the PGM SPVs (collectively, the "Princeton Notes"). Armstrong, and others, fraudulently induced approximately 139 victim-investors (the "Noteholders") to purchase approximately 400 Princeton Notes for approximately $3 billion. ARMSTRONG placed proceeds from the sale of the Princeton Notes primarily in accounts he opened and controlled at Prudential and, subsequently, at Republic Securities. Contrary to representations to investors, ARMSTRONG and others engaged in a variety of deceptive and manipulative acts and practices which deceived and defrauded the Noteholders and unlawfully benefitted the participants in the scheme. Those practices included, among other types of

conduct: (1) risky and speculative trading activity, concealed from the Noteholders, that resulted in losses of approximately $580 million; (2) numerous misrepresentations to investors designed to conceal these massive losses; (3) the commingling of funds raised from the sale of separate Princeton Notes; (4) the use of funds raised from the sale of newer notes to pay off older notes as they came due, in the manner of a so-called "Ponzi" scheme; and (5) the misappropriation of investor funds for the benefit of Armstrong and others involved in the scheme. As a result of this scheme, the Noteholders suffered losses exceeding $700 million.

The Terms Of The Princeton Notes

9. Generally, each PGM SPV issued a single Princeton Note that was sold to a single investor. Some of the notes paid fixed rates of interest, some paid variable rates of interest, and some provided the Noteholder with an additional return that depended on Armstrong's trading profits. The notes were generally sold with face values

ranging from $1 million to $100 million (or an equivalent value in Japanese Yen) and were issued in maturities generally ranging from one to ten years.

10. Although certain terms varied from note to note, the majority of the Princeton Notes shared common terms. The terms reflected the marketing emphasis, described more fully below, on Armstrong's purported success as a trader of currencies, commodities and a variety of other financial instruments. Under the terms of the Princeton Notes, as memorialized in agreements executed between Armstrong and the Noteholders (the "Princeton Note Agreements"), the proceeds from the sale of each note were to be used to create a "trading fund" that Armstrong, through PEIL acting as the investment advisor, would manage on behalf of the Noteholder. The "trading fund" for each Princeton Note was to be maintained in a segregated account (the "PGM SPV Account") at a brokerage firm in the United States. The proceeds from the sale of one Princeton Note were not to be commingled with the

proceeds from the sale of notes issued by any other PGM SPV. Moreover, as the investment advisor, Armstrong was authorized to use the funds in the PGM SPV Accounts only to: (1) execute trades on behalf of the PGM SPV that issued the note; (2) pay interest and principal due on that note; and (3) pay to Armstrong certain management fees based on the value of the assets held in the PGM SPV Account and performance fees based on the results of Armstrong's trading activity. These terms were material to investors because, among other reasons, the sole asset of each PGM SPV was the money obtained from the sale of a Princeton Note and thus these restrictions were necessary to secure repayment of each note and protect each Noteholder's investment.

11. In addition, Armstrong was required periodically to report to each Noteholder the value of the assets in the Noteholder's PGM SPV Account and the results of Armstrong's trading activity. Under the terms of most of the Princeton Notes, the Noteholder was entitled to redeem the note if the net

asset value of its PGM SPV Account fell by more than ten percent.

The Fraudulent Marketing Of The Princeton Notes

12. In furtherance of their scheme, Armstrong, his co-conspirators and others caused the Princeton Notes to be sold, principally, by Cresvale-Tokyo and other Japanese brokerage firms to publicly traded Japanese corporations. Although the majority of the Noteholders were large corporations, some Noteholders were individual investors. The Princeton Notes were marketed – primarily by CFE, which, by 1995 was a wholly-owned ARMSTRONG entity – as investment vehicles intended to allow the Noteholders to profit from Armstrong's purported ability to trade successfully in currencies, commodities, futures, and derivatives such as index futures. The Princeton Notes generally offered higher rates of interest than other investment products available in Japan.

13. In furtherance of this scheme Armstrong, together with others known and unknown, made numerous false and fraudulent representations to

the Noteholders and to Japanese securities brokers who assisted in selling Princeton Notes. These misrepresentations were intended to, and did, induce the Noteholders to: (1) purchase notes; (2) "rollover" existing notes as they matured; and (3) refrain from redeeming notes prior to their maturity. Those misrepresentations included, among other material matters:

(a) Claims that Armstrong had achieved a historical "track record" of positive annual trading results on yen-based Princeton Notes between approximately 14.03% and 51.81%, and trading results between approximately 3.6% and 51.37% on dollar-based Notes, when in truth and in fact, Armstrong consistently had lost money from his trading activity.

(b) Claims that funds obtained from the sale of Princeton Notes would be held in segregated accounts for the exclusive benefit of each Noteholder, when in truth and in fact, the proceeds from the sale of different Princeton Notes were

commingled and used for a number of improper, undisclosed purposes, including: (i) paying principal and interest due on other notes; (ii) covering trading losses incurred on behalf of other notes; (iii) making unearned distributions to or for the benefit of ARMSTRONG and his companies.

(c) Claims that the proceeds from the sale of the Princeton Notes would be used solely in accordance with the terms and conditions of ARMSTRONG's agreements with the Noteholders, when in truth and in fact, ARMSTRONG and others misappropriated a substantial portion of those funds to, among other things: (i) buy rare coins, antiquities and real estate used by ARMSTRONG; (ii) purchase certain of the Cresvale entities; and (iii) fund the business operations of the various companies that ARMSTRONG controlled.

(d) Claims, from time to time, that ARMSTRONG's trading activity on behalf of the PGM SPV Accounts had been profitable and that, as a result, the net asset value of the PGM SPV Accounts

had increased, when in truth and in fact, ARMSTRONG's trading resulted in massive losses and substantial decreases in the value of the Noteholders' investments.

Operation Of The Scheme From 1992 Through February 1995

14. From in or about June 1992 through in or about February 1995, ARMSTRONG raised more than approximately $260 million through the sale of approximately 16 Princeton Notes. The proceeds from the sales of those notes were deposited in brokerage accounts, maintained at Prudential Securities ("Prudential") and established in the names of approximately 14 separate PGM SPVs.

15. Between in or about February 1993 and in or about February 1995, ARMSTRONG actively traded in currencies, commodities, futures, and other financial instruments through the PGM SPV Accounts at Prudential. During that period, ARMSTRONG's trading activity resulted in net losses of more than $30 million in the PGM SPV accounts.

16. In furtherance of this scheme, ARMSTRONG hid his trading losses through a variety of means, including by creating and issuing to the Noteholders monthly statements that falsely and fraudulently overstated the value of the assets in each PGM SPV Account and reflected profitable trading activity.

17. As a result of ARMSTRONG's massive trading losses, many of the PGM SPV Accounts lacked sufficient available funds to repay investors as their respective Princeton Notes became due. To hide from investors the massive trading losses, to ensure that existing Noteholders did not redeem their notes, and to ensure his continued ability to sell new Princeton Notes, ARMSTRONG repaid older notes as they became due by taking funds from the PGM SPV Accounts of notes that were not yet due. Over time, this practice substantially depleted the value of the PGM SPV Accounts, particularly those Princeton Notes with the longest maturities or which had repeatedly been "rolled over."

18. In or about late 1994, officers of Prudential Securities became concerned about the mounting losses in the PGM SPV Accounts and other accounts managed by ARMSTRONG, as well as a number of multi-million dollar transfers of cash between the PGM SPV Accounts and financial institutions in Japan. As a result, officers of Prudential Securities asked ARMSTRONG, among other things, to explain the nature of his business, to disclose the identities of his clients, and to disclose the terms of his contractual arrangement with his clients. In or about February 1995, after ARMSTRONG refused to identify his clients and otherwise failed to answer other questions satisfactorily, officers of Prudential Securities asked ARMSTRONG to move his accounts to another firm. Thereafter, ARMSTRONG closed the accounts under his control at Prudential Securities and transferred all of the assets to a single bank account in the name of PEIL maintained at First Fidelity Bank, N.A., in New Jersey. In so doing, ARMSTRONG commingled every remaining dollar of the investors' funds.

ARMSTRONG Moves The PGM SPV Accounts To Republic Securities

19. At or about the time that Prudential Securities terminated its business relationship with ARMSTRONG, ARMSTRONG began to open new accounts at Republic Securities. As set forth above, during the period of time that ARMSTRONG maintained the PGM SPV Accounts at Prudential Securities, all of the accounts controlled by ARMSTRONG were serviced by William H. Rogers, the assigned account representative. At or about the time that Prudential Securities terminated its business relationship with ARMSTRONG, Rogers was hired by Republic Securities and later became the President of Republic Securities' Futures Division.

20. In or about March 1995, ARMSTRONG opened approximately 10 accounts at Republic Securities, each in the name of a separate PGM SPV. Thereafter, as ARMSTRONG sold additional Princeton Notes, he generally opened a new PGM SPV Account for each new Princeton Note sold. During 1995, ARMSTRONG

opened approximately 36 accounts in the names of various PGM SPVs at Republic Securities and deposited into those accounts approximately $550 million. Over the course of the operation of the scheme through Republic Securities, from in or about March 1995 through in or about September 1999, ARMSTRONG opened a total of more than approximately 450 PGM SPV Accounts and sub-accounts at Republic Securities and deposited into those accounts a total of more than approximately $3 billion. ARMSTRONG quickly became one of Republic Securities' largest and most profitable clients.

The Structure Of The Princeton Accounts At Republic Securities

21. As set forth more fully below, the structure of the PGM SPV Accounts maintained by ARMSTRONG at Republic Securities changed from time to time during the period from in or about March 1995 to in or about September 1999. In furtherance of the scheme, those changes were designed to cause and caused the following, to the detriment of the

Noteholders: (i) allowed ARMSTRONG to commingle Noteholder funds so that assets in one PGM SPV Account could be used to offset losses in another PGM SPV Account or other accounts controlled by ARMSTRONG; (ii) avoided the requirement of allocating gains and losses from ARMSTRONG's trading activity to each of the numerous PGM SPV Accounts; (iii) hid losses; and (iv) lessened financial and other risks faced by Republic Securities as a consequence of ARMSTRONG's ever-increasing trading losses.

22. From in or about March 1995, through in or about November 1997 (the "First Phase"), ARMSTRONG generally opened, and Republic Securities generally maintained, separate accounts for each Princeton Note. In general, during the First Phase, each time ARMSTRONG sold a new note, he incorporated, or purported to incorporate, a new PGM SPV to issue the new note. In addition, ARMSTRONG opened a new PGM SPV Account in the name of the issuing PGM SPV at Republic Securities (the "First Phase Structure"). In most instances, the Noteholders, or their brokers,

transferred the funds tendered by the investor as payment for the investor's note directly to the appropriate PGM SPV Account at Republic Securities. All such funds were held by Republic Securities through its main offices in New York, New York.

23. During the First Phase, when ARMSTRONG executed trades, those trades were allocated to each of the various PGM SPV Accounts according to instructions given, from time to time, by ARMSTRONG to Republic Securities. Over time, as the number of PGM SPV Accounts grew and as the daily volume of ARMSTRONG's trades increased, the administrative burden on Republic Securities to allocate all of the trades increased. During the First Phase, ARMSTRONG's trading activity resulted in aggregate losses to the PGM SPV Accounts of approximately $280 million. As these losses mounted, and as the value of the assets in certain PGM SPV Accounts dwindled, the practice of allocating trades to all accounts resulted in some accounts, from time to time, having negative balances.

24. In or about November 1997, to reduce the administrative burdens of allocating each day's trades and to reduce credit risk that negative account balances posed for Republic Securities, ARMSTRONG and Republic Securities agreed to create a new account structure that consolidated ARMSTRONG's trading activity in a smaller number of accounts (the "Second Phase Structure"). The Second Phase Structure, described more fully below, was maintained from in or about November 1997 through in or about November 1998 (the "Second Phase"). As part of the Second Phase Structure, ARMSTRONG, Rogers, and Republic Securities created approximately eight new accounts held in the name of PGM (the "PGM Trading Accounts"). Thereafter, each of the PGM Trading Accounts was generally used to trade in particular types of financial instruments. For example, Account No. 32017 was designated as the "Princeton Global Management Index Account" and was used primarily to trade Index futures. Account No. 32011 was designated as the "Princeton Global Management Fixed

Yen Account" and was primarily used to buy and sell Japanese Yen and futures contracts for Japanese Yen. All existing trades in the individual PGM SPV Accounts were transferred to the newly opened PGM Trading Accounts.

25. During the Second Phase, ARMSTRONG and Republic Securities continued to open new PGM SPV Accounts for new notes as the notes were sold and to deposit funds received from the Noteholders in those new PGM SPV Accounts. However, during the Second Phase, in violation of the PGM Note Agreements, ARMSTRONG generally executed trades on behalf of the PGM SPVs not in the PGM SPV Accounts but instead in the PGM Trading Accounts. The Second Phase Structure, as ARMSTRONG well knew, was not disclosed to the Noteholders and violated several terms of the Princeton Note Agreements by effectively commingling the assets of all the PGM SPV Accounts to fund trading conducted in the name of PGM, a separate entity.

26. During the Second Phase, ARMSTRONG's trading activity continued to result in substantial losses. Between in or about November 1997 and in or about November 1998, ARMSTRONG's trading resulted in net losses in excess of approximately $200 million.

27. Because the PGM Trading Accounts were not separately funded and because substantial losses were incurred in those accounts, assets in the PGM SPV Accounts were, from time to time, sold, and the proceeds used to cover losses incurred in the PGM Trading Accounts. As a result of deceptive practices used by Rogers and others to record such transactions in Republic Securities's books and records, as described more fully below, the PGM Trading Accounts came to have large negative balances. By in or about July 1998, the PGM Trading Accounts had a combined negative net value of approximately $212 million.

28. In or about July 1998, internal auditors employed by an affiliate of Republic Securities brought the negative balances in the PGM Trading Accounts to the attention of the Credit

Review Committee of the Board of Directors of Republic Securities' parent corporation, RNYC (the "Credit Committee"). As noted in a report submitted by the auditors to the Credit Committee (the "1998 Credit Review Report"), these negative balances created potential credit exposure for Republic Securities because the negative balances were held in the accounts of PGM which was a separate legal entity from each of the various PGM SPVs. Accordingly, the report concluded, Republic Securities could not look to the assets held in the approximately 151 separate PGM SPV Accounts to satisfy the negative balances absent a cross-margin or guarantee agreement executed by the PGM SPVs in favor of PGM. These concerns prompted the Credit Committee to recommend, at a meeting in or about September 1998, that the PGM SPV Accounts and the PGM Trading Accounts be consolidated into a single account. At a subsequent meeting of the Credit Committee in or about October 1998, the Chairman of the Committee noted that he was "skeptical and suspicious" of ARMSTRONG's activities

and that those activities “look[ed] like a Ponzi scheme.”

29. Acting upon the Credit Committee’s recommendation, Republic Securities agreed with ARMSTRONG to undertake another restructuring (the “Third Phase Structure”) of the PGM SPV Accounts and the PGM Trading Accounts in order to allay the Credit Committee’s concerns and forestall any directives to close the accounts. The restructuring was not disclosed to the Noteholders and was contrary to provisions of the Princeton Note Agreements and other representations made by ARMSTRONG to the Noteholders. Moreover, the restructuring substantially lessened Republic Securities’ credit exposure while effectively depriving the Noteholders of recourse to the assets they were told would be held in segregated accounts to repay their Princeton Notes.

30. The restructuring occurred in two steps. First, in or about September 1998, Republic Securities, prepared, and ARMSTRONG executed on behalf of certain of the PGM SPVs, a guaranty

agreement that pledged the assets of those PGM SPVs as collateral for the negative balances in the PGM Trading Accounts. These guaranty agreements were improper, not disclosed to the Noteholders, and violated certain provisions of the PGM Noteholder Agreements. Like earlier commingling of PGM SPV assets, the guaranty agreements had the effect of making individual PGM Noteholders liable for trading losses occurred on behalf of other investors.

31. Second, beginning in or about August 1998, ARMSTRONG and Republic Securities agreed to construct a series of so-called "sub-accounts" linked to a "Master Account" held in the name of PGM (the "PGM Master Account"). Thereafter, from in or about August through in or about November 1998, ARMSTRONG and Republic Securities transferred nearly all of the assets in the PGM SPV Accounts to newly-created sub-accounts. After the transfers, in place of each of the PGM SPV Accounts which had held the assets of that PGM SPV in its own name, there was a sub-account ("the PGM SPV Sub-account") which bore the name of

the PGM SPV but which was legally held, from Republic Securities' perspective, in the name of PGM, a separate legal entity. At or about the same time each of the PGM Trading Accounts, with their large negative cash balances, was designated as a sub-account of the PGM Master Account. In this manner, ARMSTRONG and Republic Securities fraudulently conveyed all of the assets of the PGM SPVs, and all of the deficit balances of the PGM Trading Accounts, to PGM.

32. As ARMSTRONG well knew, this restructuring substantially lessened Republic Securities' credit exposure while dramatically increasing the credit risks to the Noteholders. The restructuring benefitted Republic Securities by creating a right of set-off, in favor of Republic Securities, between the deficit balances in the new PGM Trading Sub-Accounts and the assets in the new PGM SPV Sub-Accounts. At the same time, the restructuring transferred title to all of the assets of the PGM SPVs to the PGM entity, thereby depriving

the Noteholders of recourse to the primary assets available to repay their notes. The restructuring benefitted ARMSTRONG and his co-conspirators by allowing ARMSTRONG's fraudulent scheme to continue undetected by the Noteholders.

33. After the Third Phase Structure was implemented, from in or about November 1998 through in or about September 1999, as new Princeton Notes were sold, ARMSTRONG and Republic Securities created new PGM SPV Sub-Accounts into which new Noteholder funds were deposited. During this period ARMSTRONG's trading activity was booked generally to the PGM Trading Sub-Accounts. ARMSTRONG's continued trading resulted in substantial additional net losses from in or about November 1998 through in or about August 1999 of approximately $67 million. Indeed, ARMSTRONG's recurring, massive trading losses caused Rogers to remark that "a doofus flipping a . . . coin every day" would have more success than ARMSTRONG. In total, between in or about March 1995 and in or about September 1999, ARMSTRONG's trading on behalf

of all of the Princeton Note-related accounts resulted in net losses of more than approximately $550 million.

ARMSTRONG's Commingling of Investor Funds at Republic

34. From in or about 1992 to in or about August 1999, contrary to the "Conditions of the Notes" and other representations to the investors, ARMSTRONG commingled the proceeds from the sales of different Princeton Notes and often used funds of one Issuer to repay the obligations of another.

35. ARMSTRONG frequently transferred assets from one investor account to another investor account in order to: (a) replace trading losses in the latter account; (b) replace funds previously transferred out of the latter account to other investor accounts; or (c) replace funds which ARMSTRONG had taken out of the account for his own benefit. In addition, to conceal his trading losses and use of the funds for his own benefit, and to induce noteholders to reinvest monies in the Princeton Notes by rolling over their investment into

a new Princeton Note, ARMSTRONG used investor funds obtained from later sales of Princeton Notes to repay earlier investors.

36. As ARMSTRONG well knew, this commingling of investor funds operated as a fraud upon his investors. Indeed, ARMSTRONG informed one investor that the proceeds from Princeton Notes which pay a fixed rate of interest are "segregated individually," that PEI "is not permitted to wire funds from the account to anyone other than the original source," and that this requirement is strictly enforced by Republic Bank. ARMSTRONG further stated that "[a]ssets cannot be moved around at will in order to issue" an NAV letter, and that "there is no way the PEI can take the assets from a fixed rate note and use them for some other purpose during the month and then return them in time to get a [confirmation letter]. Such activity would be criminal and Republic would not be apart [sic] of such a scheme."

ARMSTRONG's False Account Statements

37. From in or about 1992 to in or about 1999, MARTIN A. ARMSTRONG received account statements, first from Prudential and later from Republic Securities, for each of the PGM accounts. ARMSTRONG manufactured his own version of PGM account statements for the investors, which he generally sent to Cresvale-Tokyo to convert into a Japanese format and forward to the Japanese investors. In the account statements he prepared, ARMSTRONG misled the investors by failing to disclose the actual trading losses in their accounts, misrepresenting the net asset value of their accounts, and in some instances by providing account statements for accounts that he never opened, having instead transferred the investors' money directly into a PEIL operating account, or to another investor to repay that investor's Note. In addition, the account statements ARMSTRONG manufactured and caused to be sent to the investors falsely represented that he was entitled to millions of dollars in management fees and performance fees to which, as he well knew, he was

not entitled in light of his dismal trading performance and the shrinking value of the Investor accounts.

The Issuance of False Net Asset Value Confirmation Letters

38. From time to time, between in or about November 1995 and in or about August 1999, at ARMSTRONG's direction, Republic Securities issued net asset value confirmation letters (the "NAV Letters") for certain PGM SPV Accounts which falsely represented the value of the assets in those accounts. The NAV Letters were used by ARMSTRONG to mislead Noteholders and to hide the massive trading losses which ARMSTRONG was incurring. Between in or about September 1995 and in or about August 1999, ARMSTRONG directed Republic Securities to issue more than approximately 200 NAV letters, the majority of which misrepresented the value of the PGM SPV Accounts to which the letters related. In many instances the NAV Letters were completely false. In other instances, ARMSTRONG transferred funds from one

PGM SPV Account to another, after-the-fact, in order to make the balance in the relevant account equal to the balance reflected in the NAV Letter.

39. The NAV Letters purported to confirm net asset values in certain of the Investor Accounts. These NAV Letters were addressed to ARMSTRONG and were sent by the Futures Division to ARMSTRONG at PEI's offices in Princeton, New Jersey. The NAV Letters referred to specific investor accounts and purported to state the net asset value of cash and securities in that account on a specific date. In nearly all instances, the NAV Letters falsely overstated the value of assets in the Investor Accounts, ranging from approximately a few thousand dollars to as much as approximately $46 million.

40. ARMSTRONG and PEI employees acting at his direction requested NAV Letters for specific Investor Accounts and indicated specifically what net asset values the NAV Letters should confirm. Rogers, on behalf of the Futures Division, issued the NAV Letters using the amount specified by ARMSTRONG for

that account, regardless of whether the amount specified was in fact a correct statement of the net asset value of that account.

41. On an almost daily basis, ARMSTRONG, the defendant, or a PEI employees acting at his direction, obtained from the Futures Division account statements and other documents which reflected the actual net asset values of the Investor Accounts and the Trading Accounts. However, ARMSTRONG, or PEI employees acting at his direction, would determine the net asset value to be confirmed by the Futures Division in a particular NAV Letter without reference to the actual net asset value of the Investor Account. Rather, the confirmation amount was generally determined by taking the face value of the particular underlying Princeton Note and adding to that sum the amount of interest that was supposed to have accrued on the note.

ARMSTRONG's Fraudulent "Netting Out" Transactions

42. By in or about March 1999, ARMSTRONG's trading losses had depleted investor

assets to such an extent that he was running out of funds to maintain the Ponzi-like nature of his scheme and to repay old investors whose Princeton Notes were coming due. From in or about March 1999 through in or about April 1999, ARMSTRONG effected a series of transactions, which ARMSTRONG termed “Netting Out” transactions, that he well knew were contrary to the terms of the Princeton Notes, were a fraud upon his investors, and which were designed to keep his fraudulent scheme operating.

43. Under the terms and conditions of the Notes, investors typically transferred Japanese Yen to an account maintained by Cresvale-Tokyo, which would then wire the funds to Republic Securities to be converted into United States dollars and deposited in a newly opened Investor Account (the “Purchasing Investor Account”). When an investor wished to redeem a Note, or when a Note matured, the funds from that investor’s account (the “Redeeming Investor Account”) were, generally after being converted to Yen, wired back to the investor in Japan.

44. In the “Netting Out” scheme, Cresvale-Tokyo received the new investor funds, in yen, in Japan. Rather than wire the funds to Republic to be deposited into the Purchasing Investor’s Account, ARMSTRONG fraudulently caused Cresvale-Tokyo to use the new investor’s funds to pay back the previous investors whose Princeton Notes were maturing at the same time. At ARMSTRONG’s direction, whatever remaining dollars happened to be left in the Redeeming Investor’s Account at Republic would be fraudulently transferred to the Purchasing Investor’s Account at Republic, which, as a result, held far less money than the Purchasing Investor paid for the Note.

45. As ARMSTRONG well knew these “netting out” transactions were contrary the Terms and Conditions of the Notes, which prohibited ARMSTRONG from commingling the funds of investors, and which required him to deposit the funds of a Princeton Note investor directly into a separate account opened at

Republic Securities in the name of the particular PGM SPV and maintained for the benefit of that investor.

Other Misrepresentations to Conceal the Losses and Looting of Investor Accounts

46. As ARMSTRONG's trading losses grew, and the investors' funds were depleted through his fraudulent scheme, ARMSTRONG made a series of additional false statements and misrepresentations to investors about their funds designed to lull and hide from them his fraudulent activity. Among those misrepresentations were the following.

47. For example, from in or about January 1998 to in or about August 1999, ARMSTRONG misled certain investors about the status of their investments by falsely representing that he had invested their funds in various "Venture Capital" investments which either did not exist or which were grossly over-stated in value.

i. In or about January 1998, ARMSTRONG sent PEI monthly statements to several Princeton Noteholders which, for the first time, informed them that they held investments in "Venture

Capital." The total amount of this purported "Venture Capital" investment was over $45 million. When questioned about the nature of the investments, ARMSTRONG informed Cresvale-Tokyo that "Venture Capital" referred to an investment in an Australian gold mine.

ii. As ARMSTRONG well knew, this representation was false as, in or about January 1998, PEI had made no such investment in an Australian gold mine. In or about that time, ARMSTRONG, was approached about investing in a gold mining venture in Australia called Charter Towers Gold Mines NL ("Charter Towers"). PEI did not actually invest in Charter Towers for another six months, and at no time did PEI's stake approach the tens of millions of dollars ARMSTRONG falsely represented to investors that they owned.

48. ARMSTRONG also falsely represented to certain investors that he had invested on their behalf in "Internet Venture Capital" which did non-exist. For example:

i. In or about June and July 1999, ARMSTRONG represented to approximately 43 investors in their monthly statements that they held investments in "Internet Venture Capital." This “Internet Venture Capital” ranged from approximately $600,000 to approximately $20 million, and the purported aggregate investment in “Internet Venture Capital” was approximately $136 million.

ii. As ARMSTRONG well knew, no “Internet Venture Capital” investment was ever made either using funds from these Noteholder Accounts, nor from PEI funds on behalf of these Noteholders. When investors with purported “Internet Venture Capital” investments sought early redemption of their Princeton Notes, ARMSTRONG falsely represented that they could not receive the portion of their investment in “Internet Venture Capital” because that investment was illiquid.

ARMSTRONG’s Fraudulent Use And Misappropriation Of Investor Funds

49. In addition to the commingling of funds and use of newer investor funds to repay old

investors, ARMSTRONG fraudulently used and misappropriated investor funds in a number of other ways.

50. Based on his false representations to Noteholders about the net asset value of their investments as well as purported profits from his trading activity, ARMSTRONG took millions of dollars in performance and management fees to which he was not entitled.

51. Moreover, in order to perpetuate his scheme, and have greater control over the marketing and sale of Princeton Notes, ARMSTRONG, in or about October 1995, purchased CFE, an Asia-based broker-dealer. To generate the funds for this purchase, ARMSTRONG looted approximately five different client accounts. ARMSTRONG, without authorization from any client, transferred from client accounts over $12 million to a PEI account at Republic Securities, and then further transferred these funds to the previous owners of CFE to complete the CFE purchase.

52. ARMSTRONG further misappropriated and stole investor funds to purchase, for his own benefit, rare coins and antiques, gold bars and other valuable and expensive items, such as a multi-million dollar beach house in New Jersey.

53. In or about November 1998, Cresvale, a licensed foreign securities dealer in Japan, joined the Investor Protection Fund ("IPF") in Japan. The IPF was created by foreign securities companies operating in Japan to provide a source of funds to reimburse Japanese investors in the event that the investors suffered certain types of losses. As a member of the IPF, Cresvale was required to execute a guarantee of one percent of its customers' assets, which amounted to approximately $5 million.

54. ARMSTRONG, on behalf of PEI, executed an agreement in or about February 1999 whereby Republic National Bank Tokyo ("Republic Tokyo") issued a $5 million Guarantee (the "Guarantee") to the IPF on behalf of Cresvale. In return for the Guarantee, Cresvale was required to open an account

at Republic Tokyo, in which sufficient collateral was to be deposited by ARMSTRONG, and which ARMSTRONG would not be permitted to use while the Guarantee was in place.

55. In order to collateralize the Guarantee, the purpose of which was purportedly to protect his investors and satisfy the requirements of the IPF, ARMSTRONG misappropriated funds from one of the PGM Noteholders. In or about February 1999, ARMSTRONG on behalf of PEI, without the knowledge and approval of the investor and contrary to the terms and conditions of the Note, transferred government securities with a value of approximately $6.5 million from a Princeton Noteholder account at Republic to a Cresvale account at Republic Tokyo to collateralize the Republic Tokyo Guarantee.

ARMSTRONG's Attempts to Conceal His Fraudulent Scheme From Japanese and U.S. Authorities

56. In or about the spring of 1999, a Japanese securities regulatory authority (the "FSA") began an inquiry into PEI and Cresvale and the sale

of Princeton Notes to Japanese investors and, in particular, whether the funds entrusted to ARMSTRONG by the Noteholders had been handled according to the representations made by ARMSTRONG.

57. In order to mislead the FSA and lull his investors into believing that their funds had been safeguarded as he had promised, on or about August 11, 1999, ARMSTRONG requested that Republic Securities prepare a letter designed to conceal his trading losses and misuse of investors funds, and mislead the FSA into believing that ARMSTRONG actually had the hundreds of millions of dollars of Noteholder funds that the Noteholders had been led to believe. Republic Securities, at ARMSTRONG's direction, prepared and delivered to ARMSTRONG a letter stating that a certain series of accounts maintained by PEI had approximately $369 million on deposit (the "Balance Letter"). As ARMSTRONG well knew, that statement was false and misleading, for it omitted mention of the corresponding debits in the trading accounts which Republic Securities had not

yet offset against those accounts. As ARMSTRONG well knew, had the debits been properly accounted for, the actual amount of funds that should have been reflected in the Balance Letter was approximately $16 million.

58. After obtaining the Balance Letter, ARMSTRONG, through his affiliated entities, continued to receive requests for information from the FSA about the funds maintained by Republic Securities. In order to obstruct and delay the FSA investigation, on or about August 16, 1999, ARMSTRONG requested that Republic Securities prepare a letter stating that it would issue no more NAV letters because Republic Securities had deemed them to be "burdensome" and "unreasonable." As ARMSTRONG well knew, this statement was false, for he dictated the language to be contained in the letter, and no one at Republic Securities had ever indicated that they would not be willing to continue to provide NAV letters at ARMSTRONG's request.

59. Sometime shortly thereafter, in August 1999, the FSA sent a letter directly to Republic Securities asking questions about the safety of the funds custodied by Republic Securities on behalf of the Noteholders, and attaching to that letter a copy of one of the NAV letters provided by ARMSTRONG to one of the Noteholders (the "FSA Letter"). ARMSTRONG was informed about the FSA Letter by one of his co-conspirators at Republic Securities.

60. As ARMSTRONG well knew, the FSA Letter would likely be brought to the attention of more senior executives at Republic, and it was likely to cause senior Republic employees not aware of the fraudulent scheme to scrutinize more closely ARMSTRONG's activity. ARMSTRONG's fraudulent scheme was likely to be detected.

61. Sometime shortly thereafter, in or about late August 1999, ARMSTRONG directed one of his employees at PEI to remove from PEI's records, and put into boxes, and download from PEI's computers onto disks, certain documents that ARMSTRONG well

knew were among the most incriminating and which clearly reflected his fraudulent activity, including the false account statements ARMSTRONG provided to the Noteholders (the "Incriminating Documents"). The PEI employee carried out ARMSTRONG's request, and left the boxes and computer disks in ARMSTRONG's bookkeeper's locked office. A short time later, during the weekend, ARMSTRONG came to PEI's offices and removed from its premises all of the Incriminating Documents.

62. On or about August 30, 1999, senior employees at Republic, as a result of the FSA Letter, began an inquiry into Republic Securities relationship with ARMSTRONG, and, among other things, became aware of the hundreds of false NAV Letters. Republic Securities notified U.S. governmental authorities, and in or about early September, the United States Securities and Exchange Commission ("SEC") brought an action against ARMSTRONG and his affiliated entities and obtained a temporary restraining order (the "SEC Action"). In connection

with the SEC Action, the United States District Court for the Southern District of New York ordered ARMSTRONG to turn over to a court-appointed Receiver millions of dollars worth of gold coins, gold bars, rare coins and antiquities (the "Multi-million Dollar Property), computers (the "Computers") and other material paid for with Noteholder funds by PEI (the "Turn-Over Order").

63. ARMSTRONG knowingly and willfully failed to comply with and obstructed the Turn-Over Order, by failing to produce the Multi-Million Dollar Property. ARMSTRONG further knowingly and willfully failed to comply with and obstructed the Turn-Over order by failing to produce certain computers called for in the Turn-Over order, and by purposely destroying files from one of the computers he did produce pursuant to the Turn-Over Order.

THE CONSPIRACY

64. From in or about 1992 through in or about September 1999, in the Southern District of New York and elsewhere, MARTIN A. ARMSTRONG, the

defendant, and others known and unknown, unlawfully, willfully, and knowingly, combined, conspired, confederated, and agreed together and with each other to violate the laws of the United States, to wit, to violate: (a) Title 15, United States Code, Sections 78j(b) and 78ff; and Title 17, Code of Federal Regulations, Section 240.10b-5; (b) Sections 4b(a)(2)(i) and 9 of the Commodity Exchange Act, Title 7, United States Code, Sections 6b(a)(2)(i) and 13; (c) Sections 4b(a)(2)(iii) and 9 of the Commodity Exchange Act, Title 7, United States Code, Sections 6b(a)(2)(iii) and 13; (d) Title 18, United States Code, Section 1343; and (e) Title 18, United States Code, Section 1957(a).

OBJECTS OF THE CONSPIRACY

65. It was a part and an object of this conspiracy that MARTIN A. ARMSTRONG, the defendant, together with others known and unknown, unlawfully, willfully, and knowingly, directly and indirectly, by the use of the means and instrumentalities of interstate commerce, of the mails, and of a facility

of a national securities exchange would and did use and employ, in connection with the purchase and sale of securities, manipulative and deceptive devices and contrivances, in violation of Title 17, Code of Federal Regulations, Section 240.10b-5, by (a) employing devices, schemes, and artifices to defraud, (b) making untrue statements of material facts and omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, and (c) engaging in acts, practices, and courses of business which operated and would operate as a fraud and deceit upon the investing public and other persons and entities, in connection with the purchase and sale of securities, all in violation of Title 15, United States Code, Sections 78j(b) and 78ff, and Title 17, Code of Federal Regulations, Section 240.10b-5.

66. It was a further part and an object of the conspiracy that MARTIN A. ARMSTRONG, together with other co-conspirators not named as defendants

herein, unlawfully, willfully and knowingly would and did cheat and defraud and attempt to cheat and defraud persons, in and in connection with orders to make, and the making of, contracts of sale of commodities for future delivery, made and to be made, for and on behalf of other persons, such contracts for future delivery being and being able to be used for hedging transactions in interstate commerce in such commodities and for determining the price basis of transactions in interstate commerce in such commodities, in violation of Sections 4b(a)(2)(i) and 9 of the Commodity Exchange Act, Title 7, United States Code, Sections 6b(a)(2)(i) and 13.

67. It was a further part and an object of the conspiracy that MARTIN A. ARMSTRONG, together with other co-conspirators not named as defendants herein, unlawfully, willfully and knowingly, in and in connection with orders to make, and the making of, contracts of sale of commodities for future delivery, made and to be made for and on behalf of other persons, such contracts for future delivery being and

being able to be used for hedging transactions in interstate commerce in such commodities and for determining the price basis of transactions in interstate commerce in such commodities, would and did willfully deceive and attempt to deceive other persons in regard to such orders and contracts and the disposition and execution of such orders and contracts, and in regard to acts of agency performed with respect to such orders and contracts for such persons, in violation of Sections 4b(a)(2)(iii) and 9 of the Commodity Exchange Act, Title 7, United States Code, Sections 6b(a)(2)(iii) and 13.

68. It was a further part and an object of the conspiracy that MARTIN A. ARMSTRONG, the defendant, together with others known and unknown, unlawfully, willfully, and knowingly, having devised and intending to devise a scheme and artifice to defraud and to obtain money and property by means of false and fraudulent pretenses, representations, and promises, would and did transmit and cause to be transmitted by means of wire communication in

interstate and foreign commerce numerous writings, signs, signals, pictures and sounds, for the purpose of executing such scheme and artifice to defraud, in violation of Title 18, United States Code, Section 1343.

69. It was a further part and an object of the conspiracy that MARTIN A. ARMSTRONG, the defendant, together with others known and unknown, unlawfully, willfully, and knowingly, in an offense involving and affecting interstate and foreign commerce, unlawfully, willfully, and knowingly would and did engage and attempt to engage in and cause others to engage in monetary transactions in criminally derived property that was of a value greater than $10,000 and was derived from specified unlawful activity, to wit, securities fraud and wire fraud, in violation of Title 18, United States Code, Section 1957(a).

MEANS AND METHODS OF THE CONSPIRACY

70. Among the means and methods by which MARTIN A. ARMSTRONG, the defendant, and his co-conspirators would and did carry out the conspiracy were the following:

a. ARMSTRONG and his co-conspirators sold approximately $3 billion in Princeton Notes to Japanese investors.

b. ARMSTRONG and his co-conspirators fraudulently represented to Princeton Note investors that the proceeds from their investments would be held in segregated accounts.

c. ARMSTRONG and his co-conspirators caused Republic Securities to issue false NAV Letters to Princeton Note investors.

d. ARMSTRONG and his co-conspirators provided false NAV Letters and false account statements to Princeton Note investors to conceal massive trading losses, the commingling of the investors' assets, and the misappropriation of investors' assets.

e. ARMSTRONG and his co-conspirators issued false investment performance data concerning the Princeton Notes and ARMSTRONG's historical trading performance in order to induce victims to purchase Princeton Notes, to induce investors not to redeem their notes, and to "roll-over" notes as they matured.

f. ARMSTRONG and his co-conspirators caused assets to be transferred between Investor accounts and paid maturing Princeton Notes with assets of more recently issued Princeton Notes to conceal losses, to deceive investors concerning the disposition of their assets, to induce investors to maintain their investments in the Princeton Notes, and to lull investors into making new investments in the Princeton Notes.

g. ARMSTRONG falsely represented to investors that United States broker dealers such as Republic Securities do not itemize the individual discount notes on account statements, in order to

explain to investors why they were not being provided this information.

h. ARMSTRONG misappropriated investor funds and used them to purchase millions of dollars worth of rare coins and antiquities for himself, and other valuable items, including a multi-million dollar beach house in New Jersey.

i. ARMSTRONG fraudulently took millions of dollars from the Noteholders as performance and management fees to which he was not entitled.

j. ARMSTRONG took steps to conceal his fraudulent activity from Japanese and United States authorities, including removing documents from PEI's office, secreting assets paid for by PEI with investor funds, and destroying computer files.

k. ARMSTRONG diverted the proceeds from the fraudulent schemes on the Noteholders to entities under his control, such as to the Princeton Economics Institute.

l. ARMSTRONG purchased Cresvale Far East and its affiliates in order to, among other purposes: (a) exercise greater control over the marketing and sale of Princeton Notes through Cresvale; (b) prevent Cresvale Far East from going out of business or being sold to new owners who might not continue to market Princeton Notes; and (c) for ARMSTRONG's personal enrichment.

m. ARMSTRONG purchased Cresvale Far East and its affiliates using funds which were derived from the proceeds of this scheme or which were otherwise misappropriated from certain Noteholders.

n. ARMSTRONG and his co-conspirators used facilities of interstate commerce, including the use of interstate telephone calls and interstate and international wire transfers in furtherance of the objects of the conspiracy.

OVERT ACTS

71. In furtherance of the conspiracy and to effect its unlawful objects, MARTIN A. ARMSTRONG,

the defendant, together with his co-conspirators, committed the following overt acts, among others, in the Southern District of New York and elsewhere:

a. From in or about February 1995 to in or about August 1999, ARMSTRONG, the defendant, caused individual accounts (the "Special Purpose Vehicle Accounts") to be opened at Republic Securities in the names of various PGM entities and caused assets obtained from the sale of Princeton Notes to be transferred to those accounts through Republic Bank in New York, New York.

b. In or about November 1997, ARMSTRONG, the defendant, established approximately eight trading accounts at Republic Securities through which he conducted trades collateralized by the assets obtained from the sale of the Princeton Notes.

c. In or about August 1998, ARMSTRONG, the defendant, and his co-conspirators, opened an account at Republic Securities in the name of PGM and caused Republic Securities to transfer

funds from the Special Purpose Vehicle Accounts to the Investor Sub-Accounts.

d. From in or about September 1995 to in or about August 1999, ARMSTRONG, the defendant, and his co-conspirators, sold millions of dollars of Princeton Notes to Japanese investors and transferred the proceeds through Republic Bank to the Investor Accounts and Investor Trading Accounts at Republic Securities.

e. From in or about 1996 to in or about August 1999, ARMSTRONG, the defendant, and his co-conspirators, caused hundreds of misleading NAV Letters to be issued by Republic Securities.

f. On or about November 18, 1998, an e-mail was sent from a PEI employee to Republic Securities requesting certain NAV Letters for various Investor Accounts, specifying the specific amount of the net asset value to be confirmed, and directing that the NAV Letters include a sentence indicating that the funds in the Investor Accounts were held in "AAA Us [sic] Government Securities"

g. In or about July 1999, ARMSTRONG, the defendant, and his co-conspirators, caused the president of Republic Securities to issue a letter, dated July 27, 1999.

h. On or about July 6, 1999, the President of Republic Securities sent an e-mail from New York, New York to the President of the Futures Division in Philadelphia, Pennsylvania.

i. On or about July 30, 1999, William H. Rogers, a co-conspirator not named herein as a defendant, in Philadelphia, Pennsylvania, spoke on the phone to another Republic Securities employee located in New York, New York.

j. On or about August 11, 1999, e-mails were sent between Republic Securities Futures Division's office in Philadelphia, Pennsylvania, and Republic Securities' office in New York, New York.

k. On or about August 16, 1999, a co-conspirator not named herein as a defendant employed in Republic Securities Futures Division's office in

Philadelphia, Pennsylvania, spoke on the phone to another Republic Securities employee located in New York, New York.

(Title 18, United States Code, Section 371).

COUNTS TWO THROUGH ELEVEN

(Securities Fraud)

The Grand Jury further charges:

72. The allegations set forth in paragraphs 1 through 63 and 70 and 71 are repeated and realleged as if set forth fully herein.

73. On or about the dates set forth below, in the Southern District of New York and elsewhere, the defendants listed below, unlawfully, willfully, and knowingly, directly and indirectly, by use of the means and instrumentalities of interstate commerce, the mails and the facilities of national securities exchanges, did use and employ, in connection with the purchase and sale of securities, manipulative and deceptive devices and contrivances, in violation of Title 17, Code of Federal Regulations, Section 240.10b-5, by (a) employing devices, schemes and

artifices to defraud; (b) making untrue statements of material facts and omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaging in acts, practices and courses of business which operated and would operate as a fraud and deceit upon persons, in connection with the purchase and sale of securities, to wit, purchasers of the Princeton Notes, as set forth below:

COUNT	**NOTE**	**INVESTOR**	**APPROX. DATE OF PURCHASE**	**APPROX. PURCHASE PRICE**
TWO	ALG	Alps Electric Co.	4/6/99	$16 million
THREE	AMD-4	Amada Co.	4/11/97	$31 million
FOUR	AMD-6	Amada Co.	10/2/97	$16 million
FIVE	I, a/k/a/, I-2	Gun-Ei	11/10/94	$3 million
SIX	I-8	Gun-Ei	4/23/97	$39 million

SEVEN	KSR-1	Kankaku Securities Co.	9/17/97	$4 million
EIGHT	K-5	Nichiman Europe PLC	2/18/97	$10 million
NINE	N-4	SMC Corp.	3/9/98	$14 million
TEN	NES-60	Nichei Securities	3/26/99	$10 million
ELEVEN	NES-64	Nichei Securities	4/6/99	$4 million

(Title 15, United States Code, Sections 78j(b) & 78ff;
Title 17, Code of Federal Regulations, Section 240.10b-5;
and Title 18, United States Code, Section 2).

COUNTS TWELVE THROUGH TWENTY FOUR

(Wire Fraud)

The Grand Jury further charges:

74. The allegations set forth in paragraphs 1 through 63 and 70 and 71 are repeated and realleged as if set forth fully herein.

75. From in or about 1992 to in or about September 1999, MARTIN A. ARMSTRONG, the defendant,

unlawfully, willfully, and knowingly, having devised and intending to devise a scheme and artifice to defraud and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises, did transmit and cause to be transmitted by means of wire communication in interstate commerce the following writings, signs, signals, pictures and sounds, for the purpose of executing such scheme and artifice, as set forth below:

COUNT	**APPROXIMATE DATE**	**APPROXIMATE AMOUNT**	**WIRE TRANS-MISSION**
TWELVE	8/25/99	$ 136 million	Facsimile communication from Republic Securities, Philadelphia, PA, to Republic Securities, New York, NY

THIRTEEN	7/30/99	$35 million	Phone Call Between William Rogers in Philadelphia, PA, and Republic Securities employee in New York, NY
FOURTEEN	8/24/99	$56,000	Funds Transfer from Republic Bank, New York, NY to Fulton Bank, PA
FIFTEEN	11/13/97	$4,027,970	Funds transfer from Bank of Tokyo-Mitsubishi, Japan, to Republic Bank, New York, NY
SIXTEEN	6/9/98	$7,078,244	Funds transfer from Bank of Tokyo-Mitsubishi, Japan, to Republic Bank, New York, NY

SEVENTEEN	6/25/98	$35,544,434	Funds transfer from Bank of Tokyo-Mitsubishi, Japan, to Republic Bank, New York, NY
EIGHTEEN	10/6/98	$21,746,768	Funds transfer from Bank of Tokyo-Mitsubishi, Japan, to Republic Bank, New York, NY
NINETEEN	4/13/99	$16,509,415	Funds transfer from Citibank, Hong Kong, to Republic Bank, New York, NY
TWENTY	4/8/98	N/A	Facsimile communication from Republic Securities, New York, NY to Republic Securities, Philadelphia, PA

TWENTY ONE	8/11/99	N/A	Facsimile communication from Republic Securities Philadelphia, PA, to Republic Securities, New York, NY
TWENTY TWO	8/25/99	N/A	Facsimile communication from Republic Securities Philadelphia, PA, to Republic Securities, New York, NY
TWENTY THREE	8/27/99	N/A	Two-page facsimile communication from Republic Securities Philadelphia, PA, to Republic Securities, New York, NY

TWENTY FOUR	8/27/99	N/A	One-page facsimile communication from Republic Securities Futures Division, Philadelphia, PA, to Republic Securities, New York, NY

(Title 18, United States Code, Sections 1343 and 2).

COUNT TWENTY FIVE
(Money Laundering)

76. The allegations set forth in paragraphs 1 through 63 and 70 and 71 are repeated and realleged as if set forth fully herein.

77. From in or about July 1996 through in or about August 31, 1999, in the Southern District of New York and elsewhere, MARTIN A. ARMSTRONG, the defendant, and others known and unknown, in an offense involving and affecting interstate and foreign commerce, unlawfully, wilfully, and knowingly engaged and attempted to engage in and caused others

to engage in monetary transactions in criminally derived property that was of a value greater than $10,000 and was derived from specified unlawful activity, to wit, securities fraud in violation of Title 15, United States Code, Sections 78j(b) & 78ff, Title 17, Code of Federal Regulations, Section 240.10b-5, and wire fraud in violation of Title 18, United States Code Section, 1343, in connection with the diversion of approximately $10 million of unlawful proceeds to Princeton Economics Institute.

(Title 18, United States Code, Sections 1957(a) and 2.)

SUPPLEMENTAL ALLEGATIONS TO COUNTS ONE THROUGH TWENTY FIVE

The Grand Jury further charges:

78. With respect to Counts One through Twenty Five, the loss exceeded $80,000,000.

79. The offenses charged in Counts One through Twenty Five involved more than minimal planning and a scheme to defraud more than one victim.

80. The offenses charged in Counts One through Twenty Five involved a fraudulent scheme, a substantial part of which was committed from outside the United States, and involved sophisticated means.

81. In carrying out the offenses charged in Counts One through Twenty Five, MARTIN A. ARMSTRONG, the defendant, abused a position of private trust or used a special skill in a manner that significantly facilitated the commission or concealment of the offenses.

82. In committing the offenses charged in Counts One through Twenty Five, MARTIN A. ARMSTRONG, the defendant, was an organizer or leader of a criminal activity that involved five or more participants or was otherwise extensive.

83. MARTIN A. ARMSTRONG, the defendant, willfully obstructed or impeded, or attempted to obstruct or impede the administration of justice during the course of the investigation and prosecution of the offenses charged in Counts One through Twenty Five, and the obstructive conduct

related to the offenses charged in Counts One through Twenty Five and relevant conduct to those offenses.

_____
_____
FOREPERSON

DAVID N. KELLEY
United States Attorney for the
Southern District of New York